

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Siegfried Crandall P.C.</i>			Date	

City of Wayland
Allegan County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended June 30, 2005

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MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Wayland
MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Wayland's (the City) financial performance provides a narrative overview of the City's financial activities for the fiscal year ended June 30, 2005. Please read it in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

- The City's total net assets decreased by \$525,475 (4.7 percent) as a result of this year's activities. Net assets of the governmental activities decreased by \$369,429, and the net assets of the business-type activities decreased by \$156,046.
- Total net assets of the City amount to \$10,638,179. Of this amount \$10,107,529 is restricted because it is invested in capital assets, net of related debt. Another \$779,031 of the net assets is restricted for various purposes leaving an unrestricted net asset deficit in the amount of \$248,381.
- The General Fund's unreserved fund balance at the end of the fiscal year was \$57,279, which represents 2.9 percent of the actual total General Fund expenditures for the current fiscal year.

Overview of the financial statements

The City's financial statements are comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents additional information. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City, reporting the City's operations in more detail than the government-wide financial statements.
 - Governmental fund statements tell how general government services, like public safety, were financed in the short-term as well as what remains for future spending.
 - Proprietary fund statements offer short- and long-term financial information about the activities the government operates like a business, such as the sewer and water systems.
 - Fiduciary fund statements provide information about the financial relationships in which the City acts solely as an agent for the benefit of others to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Government-wide financial statements

The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the City's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net assets (the difference between the City's assets and liabilities) is one way to measure the City's financial health, or position.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, you need to consider additional nonfinancial factors such as changes in the City's property tax base and the condition of the City's capital assets.

The government-wide financial statements are divided into three categories:

- *Governmental activities* - Most of the City's basic services are included here, such as police and fire protection and general government. State shared revenue and property taxes finance most of these activities.
- *Business-type activities* - The City charges fees to customers to help it cover the costs of the services it provides. The City's sewer and water systems are reported here.
- *Component unit* - The City includes another entity in its report - the Wayland Downtown Development Authority. Although legally separate, this "component unit" is important because the City is financially accountable for it.

Fund financial statements

The fund financial statements provide more detailed information about the City's most significant funds - not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and by bond agreements.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and other revenues.

The City has three kinds of funds:

- **Governmental funds.** Most of the City's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flow in and out and, (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship between them.
- **Proprietary funds.** Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. In fact, the City's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The internal service fund (the other type of proprietary fund) reports activities that provide services for the City's other programs and activities. The City's internal service fund is its Equipment Fund that manages the City's fleet of vehicles and equipment.

City of Wayland
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

- **Fiduciary funds.** These funds are used to account for the collection and disbursement of resources, primarily taxes, for the benefit of parties outside the government. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The City's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Assets. Total net assets at the end of the fiscal year were \$10,638,179, a decrease of 4.7 percent compared to the prior year. Of this total, \$10,107,529 is invested in capital assets and \$779,031 is restricted for capital projects, public works, and public safety expenditures. Consequently, unrestricted net assets resulted in a deficit of \$248,381.

Condensed financial information
Net Assets
(In Thousands)

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<i>2004</i>	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>	<i>2005</i>
Current assets	\$ 789.5	\$ 908.7	\$ (41.2)	\$ (268.9)	\$ 748.3	\$ 639.7
Noncurrent assets	10,430.4	9,803.8	6,154.2	6,006.2	16,584.5	15,810.1
Total assets	11,219.9	10,712.5	6,113.0	5,737.3	17,332.8	16,449.8
Current liabilities	220.6	310.7	281.5	284.5	502.1	595.2
Noncurrent liabilities	2,178.7	1,926.3	3,512.8	3,290.2	5,691.5	5,216.5
Total liabilities	2,399.3	2,237.0	3,794.3	3,574.6	6,193.6	5,811.6
Net assets:						
Invested in capital assets, net of related debt	8,100.7	7,650.3	2,410.1	2,457.2	10,510.8	10,107.5
Restricted	634.8	779.0	-	-	634.8	779.0
Unrestricted	85.1	46.2	(91.4)	(294.5)	(6.3)	(248.4)
Total net assets	\$ 8,820.5	\$ 8,475.5	\$ 2,318.7	\$ 2,162.7	\$ 11,139.3	\$ 10,638.2

Changes in net assets. The City's total revenues are \$3,135,248. More than 39 percent of the City's total revenues are derived property taxes while sewer and water charges generated 25 percent. Only 13 percent of the City's revenues come from state shared revenue.

The total cost of all the City's programs, covering a wide range of services, totaled \$3,660,723. More than 26 percent of the City's costs relate to the provision of sewer and water services. Public safety costs account for 23 percent of the costs and general government costs account for 13 percent of the City's total costs.

City of Wayland
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Condensed financial information
Changes in Net Assets
(In Thousands)

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Totals</u>	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
Program revenues:						
Charges for services	\$ 96.0	\$ 100.6	\$ 743.8	\$ 794.9	\$ 839.8	\$ 895.6
Grants and contributions:						
Operating	442.1	450.7	-	-	442.1	450.7
Capital	237.2	-	-	-	237.2	-
General revenues:						
Property taxes	1,170.1	1,235.6	-	-	1,170.1	1,235.6
State shared revenue	408.4	401.8	-	-	408.4	401.8
Unrestricted investment return	32.3	14.5	3.2	8.1	35.4	22.6
Miscellaneous	29.5	21.3	-	-	29.5	21.3
Special item:						
Gain of sale of capital asset	-	107.6	-	-	-	107.6
Total revenues	<u>2,415.5</u>	<u>2,332.2</u>	<u>747.0</u>	<u>803.1</u>	<u>3,162.5</u>	<u>3,135.2</u>
Expenses:						
Legislative	15.8	14.4	-	-	15.8	14.4
General government	498.7	474.6	-	-	498.7	474.6
Public safety	806.4	852.3	-	-	806.4	852.3
Public works	1,214.5	1,174.1	-	-	1,214.5	1,174.1
Community and economic development	77.3	64.7	-	-	77.3	64.7
Health and welfare	-	6.0	-	-	-	6.0
Culture and recreation	7.9	5.0	-	-	7.9	5.0
Interest	139.0	110.5	-	-	139.0	110.5
Sewer	-	-	550.5	571.0	550.5	571.0
Water	-	-	384.5	388.1	384.5	388.1
Total expenses	<u>2,759.6</u>	<u>2,701.6</u>	<u>935.0</u>	<u>959.1</u>	<u>3,694.6</u>	<u>3,660.7</u>
Decrease in net assets	<u>\$ (344.1)</u>	<u>\$ (369.4)</u>	<u>\$ (188.0)</u>	<u>\$ (156.0)</u>	<u>\$ (532.2)</u>	<u>\$ (525.5)</u>

Governmental activities. Governmental activities decreased the City's net assets by \$369,429.

The cost of all governmental activities this year was \$2,701,598. After subtracting the direct charges to those who directly benefited from the programs (\$100,624), and operating and capital grants (\$450,665), the "public benefit" portion covered by property taxes, state revenue sharing, and other general revenues was \$2,150,309.

Business-type activities. Business-type activities decreased the City's net assets by \$156,046. The Council continues to monitor its sewer and water operations and has increased rates for both these services based on rate studies performed for the City.

City of Wayland
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental funds. As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$924,107, an increase of \$120,431 in comparison with the prior year. Of the total fund balances, \$864,076 (94 percent) constitutes unreserved fund balance, which is available for spending at the City's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed (\$60,031).

The General Fund is the chief operating fund of the City. At the end of the fiscal year, unreserved fund balance was \$57,279, which represents 2.9 percent of the actual total General Fund expenditures for the current fiscal year. The fund balance increased by \$536 during the fiscal year primarily due to the sale of land in the amount of \$131,602.

The Community Building and Park Improvement Fund experienced a decrease in fund balance of \$525.

Proprietary funds. The Sewer Fund experienced a decrease in net assets of \$133,985. The decrease was due to the fact that charges for services were insufficient to cover the full cost of operations that includes depreciation (\$126,243). Net assets were \$1,615,326 at year end.

The Water Fund experienced a decrease in net assets of \$6,269. The decrease was due to the fact that charges for services were insufficient to cover the full cost of operations. Net assets were \$605,321 at year end.

General Fund budgetary highlights

There were no amendments to the budget during the fiscal year ended June 30, 2005.

Also, expenditures were \$686 less than budgeted. The difference between the actual and budgeted amounts can be attributed to monthly review by the City Manager and Finance Director and quarterly review by the Finance Committee.

Capital assets and debt administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2005, amounts to \$15,729,944 (net of accumulated depreciation). This investment includes a broad range of assets including land, buildings, police and fire equipment, and sewer and water facilities. The decrease in the City's net investment in capital assets for the current fiscal year was \$816,803. The net investment in capital assets was decreased \$633,741 by governmental activities and decreased \$183,062 by business-type activities.

City of Wayland
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

	<i>Governmental activities</i>	<i>Business-type activities</i>	<i>Totals</i>
Land	\$ 733,783	\$ 319,730	\$ 1,053,513
Buildings and improvements	604,340	-	604,340
Furniture, fixtures, and equipmen	203,628	-	203,628
Vehicles	792,997	-	792,997
Street network	7,424,067	-	7,424,067
Sewer and water systems	-	5,651,399	5,651,399
Total	<u>\$ 9,758,815</u>	<u>\$ 5,971,129</u>	<u>\$15,729,944</u>

Major capital asset events during the current fiscal year included the following:

- Street improvements on South Main Street amounting to \$100,015.
- Equipment purchases totaling \$72,461.

More detailed information about the City's capital assets is presented in Note 5 of the notes to the basic financial statements.

Long-term debt

At the end of the fiscal year, the City had total long-term bonds and loans outstanding in the amount of \$5,622,415, which represents a net decrease of \$414,591. Of this amount, \$5,550,415 consists of debt backed by the full faith and credit of the City. Another \$72,000 represents bonds secured solely by specific revenue sources (i.e., water charges for service).

During the year ended June 30, 2005, the City decreased its long-term debt through the retirement of various bonds, notes, and contracts totaling \$414,591.

Other long-term debt obligations totaling \$37,259 represent accrued compensated absences.

More detailed information about the City's noncurrent liabilities is presented in Note 6 of the notes to the basic financial statements.

Economic condition and outlook

The City's General Fund budget for the next year is fairly consistent with the current year. The fund balance of the General Fund is projected to remain positive. Due to the depressed economy and the potential for less state shared revenue than anticipated, the City Council has not planned large capital projects. The Council performs an annual review to determine facility and property needs to insure that those items are not overlooked in spite of the tight budget constraints.

The City's enterprise operations will benefit from increased sewer and water charges associated with connections and usage. Rates were increased to cover cost of operations and additional interest costs incurred in recent years.

City of Wayland
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Contacting the City's financial management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Doug Nord, Finance Director-Treasurer/Deputy City Manager
City of Wayland
103 S Main
Wayland, Michigan 49348.
Phone: (269) 792-2260

INDEPENDENT AUDITORS' REPORT

City Council
City of Wayland, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely-presented component unit, each major fund, and the aggregate remaining fund information of the City of Wayland, Michigan, as of June 30, 2005, and for the year then ended, which collectively comprise the City's financial statements, as listed in the contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely-presented component unit, each major fund, and the aggregate remaining fund information of the City of Wayland, Michigan, as of June 30, 2005, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis, budgetary comparison information, and the schedule of funding progress, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the City of Wayland, Michigan's basic financial statements. The supplementary information, as listed in the contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Wayland, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Siegfried Crandall P.C.

September 16, 2005

BASIC FINANCIAL STATEMENTS

City of Wayland
STATEMENT OF NET ASSETS
June 30, 2005

	<u>Primary Government</u>			<u>Component unit</u>
	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>	<u>Downtown Development Authority</u>
ASSETS				
Current assets:				
Cash	\$ 261,960	\$ -	\$ 261,960	\$ 204,291
Receivables, net	211,535	166,252	377,787	-
Internal balances	435,176	(435,176)	-	-
Total current assets	<u>908,671</u>	<u>(268,924)</u>	<u>639,747</u>	<u>204,291</u>
Noncurrent assets:				
Unamortized bond issuance costs	-	35,105	35,105	-
Receivables, net	45,031	-	45,031	-
Capital assets, net of depreciation	9,758,815	5,971,129	15,729,944	-
Total noncurrent assets	<u>9,803,846</u>	<u>6,006,234</u>	<u>15,810,080</u>	<u>-</u>
Total assets	<u>10,712,517</u>	<u>5,737,310</u>	<u>16,449,827</u>	<u>204,291</u>
LIABILITIES				
Current liabilities:				
Accounts payable	68,898	10,376	79,274	21,655
Accrued liabilities	34,200	38,500	72,700	14,093
Bonds and loans payable	207,584	235,592	443,176	-
Total current liabilities	<u>310,682</u>	<u>284,468</u>	<u>595,150</u>	<u>35,748</u>
Noncurrent liabilities:				
Compensated absences	25,414	11,845	37,259	-
Bonds and loans payable	1,900,921	3,278,318	5,179,239	-
Total noncurrent liabilities	<u>1,926,335</u>	<u>3,290,163</u>	<u>5,216,498</u>	<u>-</u>
Total liabilities	<u>2,237,017</u>	<u>3,574,631</u>	<u>5,811,648</u>	<u>35,748</u>
NET ASSETS				
Invested in capital assets, net of related debt	7,650,310	2,457,219	10,107,529	-
Restricted for:				
Community building and park improvements	581,017	-	581,017	-
Public works	197,966	-	197,966	-
Public safety	48	-	48	-
Unrestricted (deficit)	46,159	(294,540)	(248,381)	168,543
Total net assets	<u>\$ 8,475,500</u>	<u>\$ 2,162,679</u>	<u>\$ 10,638,179</u>	<u>\$ 168,543</u>

See notes to financial statements

City of Wayland
STATEMENT OF ACTIVITIES
Year ended June 30, 2005

Functions/Programs	<u>Expenses</u>	<u>Program revenues</u>	
		<u>Charges for services</u>	<u>Operating grants and contributions</u>
Primary government:			
Governmental activities:			
Legislative	\$ 14,393	\$ -	\$ -
General government	474,637	45,491	-
Public safety	852,261	27,003	104,634
Public works	1,174,117	28,130	346,031
Community and economic development	64,663	-	-
Health and welfare	6,000	-	-
Culture and recreation	5,009	-	-
Interest on long-term debt	110,518	-	-
Total governmental activities	<u>2,701,598</u>	<u>100,624</u>	<u>450,665</u>
Business-type activities:			
Sewer	571,043	423,495	-
Water	388,082	371,437	-
Total business-type activities	<u>959,125</u>	<u>794,932</u>	<u>-</u>
Total primary government	<u>\$ 3,660,723</u>	<u>\$ 895,556</u>	<u>\$ 450,665</u>
Component unit:			
Downtown Development Authority	<u>\$ 237,143</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:
Property taxes
State shared revenue
Unrestricted investment return
Miscellaneous
Special item:
Gain on sale of capital assets

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

<u>Net (expenses) revenues and changes in net assets</u>			<u>Component</u>
<u>Primary government</u>			<u>unit</u>
<u>Governmental</u>	<u>Business-type</u>	<u>Totals</u>	<u>Downtown</u>
<u>activities</u>	<u>activities</u>		<u>Development</u>
			<u>Authority</u>
\$ (14,393)		\$ (14,393)	
(429,146)		(429,146)	
(720,624)		(720,624)	
(799,956)		(799,956)	
(64,663)		(64,663)	
(6,000)		(6,000)	
(5,009)		(5,009)	
<u>(110,518)</u>		<u>(110,518)</u>	
<u>(2,150,309)</u>		<u>(2,150,309)</u>	
	\$ (147,548)	(147,548)	
	<u>(16,645)</u>	<u>(16,645)</u>	
<u>-</u>	<u>(164,193)</u>	<u>(164,193)</u>	
<u>(2,150,309)</u>	<u>(164,193)</u>	<u>(2,314,502)</u>	
			\$ <u>(237,143)</u>
1,235,631	-	1,235,631	332,425
401,798	-	401,798	-
14,502	8,147	22,649	-
21,317	-	21,317	-
<u>107,632</u>	<u>-</u>	<u>107,632</u>	<u>-</u>
<u>1,780,880</u>	<u>8,147</u>	<u>1,789,027</u>	<u>332,425</u>
(369,429)	(156,046)	(525,475)	95,282
<u>8,844,929</u>	<u>2,318,725</u>	<u>11,163,654</u>	<u>73,261</u>
<u>\$ 8,475,500</u>	<u>\$ 2,162,679</u>	<u>\$ 10,638,179</u>	<u>\$ 168,543</u>

See notes to financial statements

City of Wayland
BALANCE SHEET - governmental funds
June 30, 2005

	<u>General</u>	<u>Community Building and Park Improvement</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
ASSETS				
Cash	\$ -	\$ 91,855	\$ 170,105	\$ 261,960
Receivables, net	140,587	-	115,979	256,566
Due from other funds	-	489,162	-	489,162
Total assets	<u>\$ 140,587</u>	<u>\$ 581,017</u>	<u>\$ 286,084</u>	<u>\$ 1,007,688</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 61,937	\$ -	\$ 273	\$ 62,210
Due to other funds	21,371	-	-	21,371
Total liabilities	<u>83,308</u>	<u>-</u>	<u>273</u>	<u>83,581</u>
Fund balances:				
Reserved for long-term receivables	-	-	60,031	60,031
Unreserved	57,279	581,017	225,780	864,076
Total fund balances	<u>57,279</u>	<u>581,017</u>	<u>285,811</u>	<u>924,107</u>
Total liabilities and fund balances	<u>\$ 140,587</u>	<u>\$ 581,017</u>	<u>\$ 286,084</u>	<u>\$ 1,007,688</u>
Total fund balances - all governmental funds				\$ 924,107
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:				
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.				8,878,928
Internal service funds are used by management to charge costs of equipment and vehicle management to individual funds. The assets and liabilities of the internal service fund are included in <i>governmental activities</i> in the statement of net assets.				433,921
Some liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.				(1,761,456)
Net assets of <i>governmental activities</i> (page 4)				<u>\$ 8,475,500</u>

See notes to financial statements

City of Wayland

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -

governmental funds

Year ended June 30, 2005

	General	Community Building and Park Improvement	Nonmajor governmental funds	Total governmental funds
REVENUES				
Property taxes	\$ 1,195,697	\$ -	\$ -	\$ 1,195,697
State grants	401,798	-	266,283	668,081
Fines and forfeitures	11,370	-	-	11,370
Licenses and permits	14,133	-	-	14,133
Contributions from local units	105,500	-	80,382	185,882
Charges for services	32,098	-	24,781	56,879
Interest and rentals	27,033	-	4,142	31,175
Other	61,251	-	69	61,320
Total revenues	<u>1,848,880</u>	<u>-</u>	<u>375,657</u>	<u>2,224,537</u>
EXPENDITURES				
Legislative	14,393	-	-	14,393
General government	474,316	-	-	474,316
Public safety	797,080	-	2,946	800,026
Public works	408,227	-	179,011	587,238
Community and economic development	64,663	-	-	64,663
Culture and recreation	-	525	-	525
Health and welfare	6,000	-	-	6,000
Debt service:				
Principal	95,519	-	40,000	135,519
Interest	58,390	-	33,430	91,820
Capital outlay	61,208	-	-	61,208
Total expenditures	<u>1,979,796</u>	<u>525</u>	<u>255,387</u>	<u>2,235,708</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(130,916)</u>	<u>(525)</u>	<u>120,270</u>	<u>(11,171)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	150	150
Transfers out	(150)	-	-	(150)
Total other financing sources (uses)	<u>(150)</u>	<u>-</u>	<u>150</u>	<u>-</u>
SPECIAL ITEM				
Proceeds from sale of land	<u>131,602</u>	<u>-</u>	<u>-</u>	<u>131,602</u>
NET CHANGE IN FUND BALANCES	<u>536</u>	<u>(525)</u>	<u>120,420</u>	<u>120,431</u>
FUND BALANCES - BEGINNING	<u>56,743</u>	<u>581,542</u>	<u>165,391</u>	<u>803,676</u>
FUND BALANCES - ENDING	<u>\$ 57,279</u>	<u>\$ 581,017</u>	<u>\$ 285,811</u>	<u>\$ 924,107</u>

See notes to financial statements

City of Wayland

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
governmental funds (Continued)**

Year ended June 30, 2005

Net change in fund balances - total governmental funds	\$ 120,431
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Capital assets:	
Assets acquired	172,476
Provision for depreciation	(676,289)
Assets sold	(21,000)
Long-term debt - principal repayments	135,519
Changes in other assets/liabilities:	
Net decrease in accrued interest	2,700
Net decrease in liability for compensated absences	13,611
The net expenses of the internal service fund are reported with <i>governmental activities</i> .	<u>(116,877)</u>
Change in net assets of <i>governmental activities</i> (page 5)	<u>\$ (369,429)</u>

See notes to financial statements

City of Wayland
STATEMENT OF NET ASSETS - proprietary funds
June 30, 2005

	Business-type activities			Governmental activities
	Enterprise funds			Internal service
	Sewer	Water	Totals	
ASSETS				
Current assets - receivables, net	\$ 86,901	\$ 79,351	\$ 166,252	\$ -
Noncurrent assets:				
Unamortized bond issuance costs	35,105	-	35,105	-
Capital assets, net of depreciation	4,669,592	1,301,537	5,971,129	879,887
Total noncurrent assets	4,704,697	1,301,537	6,006,234	879,887
Total assets	4,791,598	1,380,888	6,172,486	879,887
LIABILITIES				
Current liabilities:				
Accounts payable	3,657	6,719	10,376	6,688
Accrued expenses	38,922	11,423	50,345	-
Due to other funds	206,719	170,489	377,208	90,583
Loan payable	8,493	15,099	23,592	50,560
Bonds payable	100,000	112,000	212,000	-
Total current liabilities	357,791	315,730	673,521	147,831
Noncurrent liabilities:				
Revenue bonds payable	2,725,000	280,000	3,005,000	-
Loan payable	93,481	179,837	273,318	356,103
Total noncurrent liabilities	2,818,481	459,837	3,278,318	356,103
Total liabilities	3,176,272	775,567	3,951,839	503,934
NET ASSETS				
Invested in capital assets, net of related debt	1,742,618	714,601	2,457,219	473,224
Unrestricted (deficit)	(127,292)	(109,280)	(236,572)	(97,271)
Total net assets	\$ 1,615,326	\$ 605,321	2,220,647	\$ 375,953
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			(57,968)	
Net assets of <i>business-type activities</i> (page 4)			\$ 2,162,679	

See notes to financial statements

City of Wayland

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS - *proprietary funds***

Year ended June 30, 2005

	<i>Business-type activities</i>			<i>Governmental activities</i>
	<i>Enterprise funds</i>			<i>Internal service</i>
	<i>Sewer</i>	<i>Water</i>	<i>Totals</i>	<i>service</i>
OPERATING REVENUES				
Charges for services	\$ 423,495	\$ 371,437	\$ 794,932	\$ 140,730
OPERATING EXPENSES				
Sewer	296,101	-	296,101	-
Water	-	284,816	284,816	-
Cost of interfund services provided	-	-	-	109,838
Depreciation and amortization	126,243	65,517	191,760	139,193
Total operating expenses	422,344	350,333	772,677	249,031
OPERATING INCOME (LOSS)	1,151	21,104	22,255	(108,301)
NONOPERATING REVENUES (EXPENSES)				
Investment return	5,214	2,933	8,147	-
Loss on disposal of assets	-	-	-	(2,970)
Interest expense	(140,350)	(30,306)	(170,656)	(21,398)
Total nonoperating expenses	(135,136)	(27,373)	(162,509)	(24,368)
CHANGE IN NET ASSETS	(133,985)	(6,269)	(140,254)	(132,669)
NET ASSETS - BEGINNING	1,749,311	611,590		508,622
NET ASSETS - ENDING	\$ 1,615,326	\$ 605,321		\$ 375,953
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			(15,792)	
Change in net assets of <i>business-type activities</i> (page 5)			\$ (156,046)	

See notes to financial statements

City of Wayland
STATEMENT OF CASH FLOWS - proprietary funds
Year ended June 30, 2005

	Business-type activities			Governmental activities
	Enterprise funds			Internal service
	Sewer	Water	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers/funds	\$ 402,987	\$ 351,447	\$ 754,434	\$ 140,730
Payments to suppliers	(173,432)	(143,472)	(316,904)	(74,008)
Payments to employees	(118,549)	(131,815)	(250,364)	(32,195)
Net cash provided by operating activities	111,006	76,160	187,166	34,527
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Increase in due to other funds	132,074	81,545	213,619	67,976
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	-	(4,999)	(4,999)	(33,235)
Principal payments on capital debt	(106,544)	(123,633)	(230,177)	(47,870)
Interest payments on capital debt	(141,750)	(32,006)	(173,756)	(21,398)
Net cash used in capital and related financing activities	(248,294)	(160,638)	(408,932)	(102,503)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment return	5,214	2,933	8,147	-
NET CHANGE IN CASH	-	-	-	-
CASH - BEGINNING	-	-	-	-
CASH - ENDING	\$ -	\$ -	\$ -	\$ -
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 1,151	\$ 21,104	\$ 22,255	\$ (108,301)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	126,243	65,517	191,760	139,193
Changes in assets and liabilities:				
Receivables	(20,508)	(19,990)	(40,498)	-
Accounts payable	4,120	9,529	13,649	3,635
Net cash provided by operating activities	\$ 111,006	\$ 76,160	\$ 187,166	\$ 34,527

See notes to financial statements

City of Wayland

STATEMENT OF FIDUCIARY NET ASSETS - Agency Funds

June 30, 2005

ASSETS

Cash	\$	193,947
Due from other units		<u>4,552</u>
Total assets	\$	<u>198,499</u>

LIABILITIES

Payables	\$	16,425
Due to other governmental units		<u>182,074</u>
Total liabilities	\$	<u>198,499</u>

See notes to financial statements

City of Wayland
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the City of Wayland, Michigan (the City), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the significant accounting policies.

a) Reporting entity:

The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. The component unit is reported in a separate column in the government-wide financial statements to emphasize it is legally from the government.

Discretely-presented component unit - Downtown Development Authority:

This unit is presented in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City. Separate financial statements of the component unit have not been issued, as management believes these financial statements, including disclosures, contain complete information so as to constitute a fair presentation of the component unit. The component unit's governing body is appointed by the City Council and its budget must be approved by the City Council.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

City of Wayland
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the City.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Community Building and Park Improvement Fund accounts for the improvements to the City's community buildings and parks.

The City reports the following major proprietary funds:

The Sewer Fund accounts for the operation of the City's sewer system and treatment facilities.

The Water Fund accounts for the operation of the City's water mains and pumping facilities.

Additionally, the City reports the following fund types:

The internal service fund accounts for vehicle and equipment management services provided to other departments of the City on a cost-reimbursement basis.

The agency fund accounts for the collection and disbursement of property taxes for other governmental units.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The City has elected not to follow subsequent private-sector standards.

City of Wayland
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues includes all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash is considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

ii) Receivables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the City considers all receivables to be fully collectible.

iii) Prepaid items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in the government-wide financial statements.

iv) Capital assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., streets and sidewalks), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	10 - 50 years
Equipment	3 - 20 years
Sewer and water systems	50 years

v) Compensated absences - Vacation time is earned in varying amounts depending upon years of service. Employees may accumulate and carry over a maximum of twenty days. Upon retirement or termination, employees are paid for unused vacation time at their current rates. Employees are granted twelve paid personal days per year. Unused personal time does not accumulate, but a maximum of seven days' time is paid to the employee at the end of the first pay period of the following calendar year.

City of Wayland
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity (continued):

vi) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, department, and line-item. The legal level of budgetary control adopted by the City Council is the functional level.

Excess of expenditures over appropriations in budgetary funds - P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. The City's significant budgetary violations are as follows:

<u>Fund</u>	<u>Function</u>	<u>Total appropriation</u>	<u>Actual expenditures</u>	<u>Variance</u>
General	Community and economic development	\$ 41,500	\$ 64,663	\$ 23,163
	Capital outlay	47,110	61,208	14,098

NOTE 3 - CASH:

At June 30, 2005, cash is presented in the accompanying financial statements as follows:

Statement of net assets:	
Primary government	\$ 261,960
Component unit	204,291
Fiduciary funds	<u>193,947</u>
Total cash	<u>\$ 660,198</u>

At June 30, 2005, cash consists of the following:

Cash on hand	\$ 225
Deposits with financial institutions	<u>659,973</u>
Total	<u>\$ 660,198</u>

Deposits with financial institutions:

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) and the City's investment policy authorize the City to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The City's deposits are in accordance with statutory authority.

City of Wayland
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH (Continued):

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the City will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. As of June 30, 2005, \$586,804 of the City's bank balances of \$786,804 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The City maintains pooled cash accounts for all of its funds and its component unit. Due to the use of pooled deposits, it is not practicable to allocate insured and uninsured portions of certain bank balances between the primary government and its component unit. The insured portion of the bank balance has been allocated entirely to the primary government.

NOTE 4 - RECEIVABLES:

Receivables at June 30, 2005, for the City's governmental individual major and nonmajor funds, in the aggregate, are as follows:

	<u>Accounts</u>	<u>Inter- governmental</u>	<u>Totals</u>
General	\$ 11,976	\$ 128,611	\$ 140,587
Nonmajor governmental	<u>73,010</u>	<u>42,969</u>	<u>115,979</u>
Totals	<u>\$ 84,986</u>	<u>\$ 171,580</u>	<u>\$ 256,566</u>
Noncurrent portion	<u>\$ 45,031</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2005, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
<i>Governmental activities:</i>				
Capital assets not being depreciated - land	<u>\$ 754,783</u>	<u>\$ -</u>	<u>\$ 21,000</u>	<u>\$ 733,783</u>
Capital assets being depreciated:				
Buildings	740,504	-	-	740,504
Improvements	339,291	-	-	339,291
Furniture, fixtures and equipment	648,423	79,361	-	727,784
Vehicles	1,682,611	26,335	14,449	1,694,497
Street network	<u>12,586,218</u>	<u>100,015</u>	<u>-</u>	<u>12,686,233</u>
Subtotal	<u>15,997,047</u>	<u>205,711</u>	<u>14,449</u>	<u>16,188,309</u>

City of Wayland
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS (Continued):

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Less accumulated depreciation for:				
Buildings	\$ 259,987	\$ 16,546	\$ -	\$ 276,533
Improvements	186,766	12,156	-	198,922
Furniture, fixtures and equipment	481,167	42,989	-	524,156
Vehicles	799,749	113,230	11,479	901,500
Street network	4,631,605	630,561	-	5,262,166
Subtotal	<u>6,359,274</u>	<u>815,482</u>	<u>11,479</u>	<u>7,163,277</u>
Total capital assets being depreciated, net	<u>9,637,773</u>	<u>(609,771)</u>	<u>2,970</u>	<u>9,025,032</u>
Governmental activities capital assets, net	<u>\$ 10,392,556</u>	<u>\$ (609,771)</u>	<u>\$ 23,970</u>	<u>\$ 9,758,815</u>
<i>Business-type activities:</i>				
Capital assets not being depreciated - land	<u>\$ 319,730</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 319,730</u>
Capital assets being depreciated:				
Sewer system	5,954,693	-	-	5,954,693
Water system	2,031,865	4,999	-	2,036,864
Subtotal	<u>7,986,558</u>	<u>4,999</u>	<u>-</u>	<u>7,991,557</u>
Less accumulated depreciation for:				
Sewer system	1,438,287	122,544	-	1,560,831
Water system	713,810	65,517	-	779,327
Subtotal	<u>2,152,097</u>	<u>188,061</u>	<u>-</u>	<u>2,340,158</u>
Total capital assets being depreciated, net	<u>5,834,461</u>	<u>(183,062)</u>	<u>-</u>	<u>5,651,399</u>
Business-type activities capital assets, net	<u>\$ 6,154,191</u>	<u>\$ (183,062)</u>	<u>\$ -</u>	<u>\$ 5,971,129</u>

City of Wayland
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS (Continued):

Depreciation expense was charged to functions of the City as follows:

<i>Governmental activities:</i>	
General government	\$ 23,370
Public safety	99,831
Public works	687,797
Culture and recreation	<u>4,484</u>
Total governmental activities	<u>\$ 815,482</u>
<i>Business-type activities:</i>	
Sewer	\$ 122,544
Water	<u>65,517</u>
Total business-type activities	<u>\$ 188,061</u>

NOTE 6 - LONG-TERM OBLIGATIONS:

Long-term obligations at June 30, 2005, are comprised of the following individual issues:

<i>Governmental activities:</i>	
Accrued employee benefits	\$ 25,414
\$69,900 2003 installment purchase agreement - payable in semi-annual interest installments of \$4,325 at 4.5%; final payment due June 2013	57,915
\$800,000 2001 Michigan Transportation Fund bonds - payable in annual installments of \$40,000 to \$80,000, plus interest at 4% to 5.30%; final payment due April 2016	655,000
\$377,553 1998 installment purchase agreement - payable in annual interest installments of \$7,656 at 4.5%; final balloon payment due May	100,129
\$1,237,017 Michigan Strategic Fund loan - payable in quarterly installments of \$26,120, including interest at 4%; final payment due June	888,798
\$545,408 2001 installment purchase agreement - payable in annual installments of \$69,268, including interest at 4.60%; final payment due December 2001	<u>406,663</u>

City of Wayland
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - LONG -TERM OBLIGATIONS (Continued):

Business-type activities:	
Accrued employee benefits	\$ 11,845
\$325,000 1973 water improvement revenue bonds - payable in annual installments of \$12,000, plus interest at 5%; final payment due January	72,000
\$995,000 1993 unlimited tax general obligation bonds - payable in annual installments ranging from \$80,000 to \$120,000, plus interest at 2.75% to 5.25%; final payment due September 2007	320,000
\$1,550,000 1998 sewer contract - payable in annual installments ranging from \$25,000 to \$125,000, plus interest at 3.9% to 6.9%; final payment due October 2020	1,400,000
\$1,575,000 1999 sewer contract - payable in annual installments ranging from \$25,000 to \$125,000, plus interest at 4.9% to 5.625%; final payment due October 2020	1,425,000
\$412,983 Michigan Strategic Fund loan - payable in quarterly installments of \$8,706, including interest at 4%; final payment due June 2014	<u>296,910</u>
Total business-type activities	<u>\$ 3,525,755</u>

Long-term obligations activity for the year ended June 30, 2005, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Governmental activities:					
Compensated absences	\$ 28,490	\$ 36,869	\$ 39,945	\$ 25,414	\$ -
1998 installment purchase	135,129	-	35,000	100,129	35,000
1998 MSF loan	943,329	-	54,531	888,798	70,776
2001 MTF bonds	695,000	-	40,000	655,000	45,000
2001 installment purchase	455,558	-	48,895	406,663	50,560
2001 loan payable	<u>63,903</u>	<u>-</u>	<u>5,988</u>	<u>57,915</u>	<u>6,248</u>
Total long-term liabilities	<u>\$ 2,321,409</u>	<u>\$ 36,869</u>	<u>\$ 224,359</u>	<u>\$ 2,133,919</u>	<u>\$ 207,584</u>

City of Wayland
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - LONG-TERM OBLIGATIONS (Continued):

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
<i>Business-type activities:</i>					
Compensated absences	\$ 10,535	\$ 15,788	\$ 14,478	\$ 11,845	\$ -
1973 revenue bonds	84,000	-	12,000	72,000	12,000
1993 G.O. bonds	420,000	-	100,000	320,000	100,000
1998 MSF loan	315,087	-	18,177	296,910	23,592
1998 contract payable	1,450,000	-	50,000	1,400,000	50,000
1999 contract payable	1,475,000	-	50,000	1,425,000	50,000
Total long-term liabilities	<u>\$ 3,754,622</u>	<u>\$ 15,788</u>	<u>\$ 244,655</u>	<u>\$ 3,525,755</u>	<u>\$ 235,592</u>

Debt service requirements at June 30, 2005, excluding compensated absences, were as follows:

	<u>Governmental activities</u>		<u>Business-type activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Year ended June 30:				
2006	\$ 207,584	\$ 88,758	\$ 235,592	\$ 157,597
2007	212,223	81,373	236,274	146,103
2008	218,020	72,911	282,259	134,072
2009	193,805	64,059	188,285	123,028
2010	204,972	55,643	189,352	114,611
2011 - 2015	946,439	143,536	1,041,350	440,488
2016 - 2020	125,462	4,902	1,090,798	190,418
2021 - 2025	-	-	250,000	5,907
Totals	<u>\$ 2,108,505</u>	<u>\$ 511,182</u>	<u>\$ 3,513,910</u>	<u>\$ 1,312,224</u>

Conduit Debt Obligation:

The City, through the Downtown Development Authority (the Authority), has issued tax incremental revenue bonds to provide financial assistance to a private-sector entity for the construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely by the private-sector entity. Neither the City, the State of Michigan, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2005, the outstanding balance on these bonds is \$360,000, with final payment due in April 2015.

Associated with this conduit debt is a commitment by the Authority to pay the private-sector entity 60% of the tax incremental revenue generated from this area for a period of fifteen years ending in fiscal year 2014.

City of Wayland
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

Following is a summary of interfund balances as reported in the fund financial statements:

<u>Fund</u>	<u>Receivables</u>	<u>Fund</u>	<u>Payables</u>
Community Building and Park Improvement	\$ 489,162	General	\$ 21,371
		Sewer	206,719
		Water	170,489
		Internal Service	90,583
			<u>\$ 489,162</u>

The amounts due to the Community Building and Park Improvement Fund represent short-term borrowing through the pooled checking account.

A summary of interfund transfers for the year ended June 30, 2005, is as follows:

<u>Fund</u>	<u>Transfer in</u>	<u>Fund</u>	<u>Transfer out</u>
Other governmental	\$ 150	General	\$ 150

A transfer was used to move available unrestricted funds from the General Fund and a nonmajor governmental fund to finance public safety costs.

NOTE 8 - RISK MANAGEMENT:

The City is exposed to various risks of loss to general liability, property and casualty, workers' compensation, and employee health and medical claims. The risks of loss arising from general liability up to \$2,000,000, building contents, workers' compensation, employee medical, and casualty are managed through purchased commercial insurance. For all risks of loss, there have been no significant reductions in insurance coverage from coverage provided in prior years. Also, in the past three years, settlements did not exceed insurance coverage.

NOTE 9 - DEFINED BENEFIT PENSION PLAN:

Plan description:

The City's defined benefit pension plan provides retirement, disability, and death benefits to plan members and beneficiaries. The City's defined benefit pension plan is affiliated with the Municipal Employees' Retirement System of Michigan (MERS), an agent, multiple-employer, public employee retirement system that acts as a common investment and administrative agent for municipalities in Michigan. Public Act 220 of 1996 of the State of Michigan assigns the authority to establish and amend the benefit provisions to the City. The MERS issues a publicly-available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Municipal Employees' Retirement System of Michigan, 447 N. Canal, Lansing, Michigan 48917, or by calling 1-800-767-6377.

City of Wayland
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 - DEFINED BENEFIT PENSION PLAN (Continued):

Funding policy:

Contribution rates for each participating employer and its covered employees are established and may be amended by each participating unit. The contribution rates are determined based on the benefit structure established by each employer. Covered employees are not required to contribute to the plan. Participating employers are required to contribute amounts necessary to finance the coverage of their employees through periodic contributions at actuarially-determined rates. Administrative costs of the plan are financed through investment earnings.

For the year ended June 30, 2005, the City's annual pension cost of \$163,750 for its defined benefit pension plan was equal to the required and actual contributions. The required contribution was determined as part of the December 31, 2003, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included a) 8% investment rate of return, net of administrative expenses, b) projected salary increases of 4.5% per year, and c) no cost of living adjustments. The actuarial value of the plan's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized over a closed period of 30 years as a level percentage of payroll.

Three-year trend information is as follows:

	<u>Annual pension cost (APC)</u>	<u>Percentage of APC contributed</u>	<u>Net pension obligation</u>
Year ended June 30:			
2003	\$ 145,397	100%	\$ -
2004	153,720	100%	-
2005	163,750	100%	-

NOTE 10 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended June 30, 2005, follows:

Revenues	\$ 11,790
Expenses	<u>11,985</u>
Deficiency of revenues over expenses	<u>\$ (195)</u>

City of Wayland
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 11 - PRIOR PERIOD ADJUSTMENT:

A prior period adjustment has been recorded in 2005 that resulted in equity restatements. Equity as of July 1, 2004, included in the financial statements, represents restated balances as presented below. The following schedule identifies the nature and amount of the adjustment recorded.

	<u>Nonmajor governmental Fund balance</u>	<u>Governmental activities Net assets</u>
Beginning of year, as previously reported	\$ 140,995	\$ 8,820,533
Prior period adjustment:		
Understatement of receivables	<u>24,396</u>	<u>24,396</u>
Beginning of year, as restated	<u>\$ 165,391</u>	<u>\$ 8,844,929</u>

NOTE 12 - CONSTRUCTION COMMITMENT:

Subsequent to June 30, 2005, the City authorized a contract, in the amount of \$181,902, for street improvements on North Main and Maple. The improvements will be funded by available funds of the Downtown Development Authority, a component unit of the City.

REQUIRED SUPPLEMENTARY INFORMATION

City of Wayland**BUDGETARY COMPARISON SCHEDULE - General Fund**

Year ended June 30, 2005

	<i>Original budget</i>	<i>Amended budget</i>	<i>Actual</i>	<i>Variance favorable (unfavorable)</i>
REVENUES				
Property taxes	\$ 1,183,315	\$ 1,183,315	\$ 1,195,697	\$ 12,382
State grants	400,000	400,000	401,798	1,798
Fines and forfeitures	20,000	20,000	11,370	(8,630)
Licenses and permits	26,700	26,700	14,133	(12,567)
Intergovernmental	100,000	100,000	105,500	5,500
Charges for services	32,500	32,500	32,098	(402)
Interest and rentals	34,000	34,000	27,033	(6,967)
Other	15,000	15,000	61,251	46,251
Total revenues	1,811,515	1,811,515	1,848,880	37,365
EXPENDITURES				
Legislative - City Council	14,000	14,000	14,393	(393)
General government:				
Administration	409,500	409,500	391,977	17,523
Elections	8,950	8,950	7,773	1,177
Building maintenance	35,015	35,015	39,081	(4,066)
Assessor	33,175	33,175	35,485	(2,310)
Total general government	486,640	486,640	474,316	12,324
Public safety:				
Police department	538,000	538,000	577,564	(39,564)
Fire department	243,750	243,750	197,113	46,637
Inspections department	23,000	23,000	22,403	597
Total public safety	804,750	804,750	797,080	7,670
Public works	411,515	411,515	408,227	3,288
Community and economic development:				
Planning	15,000	15,000	30,833	(15,833)
Economic development	15,000	15,000	16,424	(1,424)
Community promotion	11,500	11,500	17,406	(5,906)
Total community and economic development	41,500	41,500	64,663	(23,163)

City of Wayland

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended June 30, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Health and welfare - ambulance service	\$ 6,000	\$ 6,000	\$ 6,000	\$ -
Debt service:				
Principal	100,000	100,000	95,519	4,481
Interest	70,000	70,000	58,390	11,610
Capital outlay	47,110	47,110	61,208	(14,098)
Total expenditures	1,981,515	1,981,515	1,979,796	1,719
DEFICIENCY OF REVENUES OVER EXPENDITURES	(170,000)	(170,000)	(130,916)	39,084
OTHER FINANCING USES				
Transfer out	-	-	(150)	(150)
SPECIAL ITEM				
Proceeds from sale of land	170,000	170,000	131,602	(38,398)
NET CHANGE IN FUND BALANCES	-	-	536	536
FUND BALANCES - BEGINNING	56,743	56,743	56,743	-
FUND BALANCES - ENDING	\$ 56,743	\$ 56,743	\$ 57,279	\$ 536

City of Wayland
BUDGETARY COMPARISON SCHEDULE - Community Building and Park
Improvement Fund
Year ended June 30, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES				
Culture and recreation	\$ -	\$ -	\$ 525	\$ (525)
NET CHANGE IN FUND BALANCES	-	-	(525)	(525)
FUND BALANCES - BEGINNING	<u>581,542</u>	<u>581,542</u>	<u>581,542</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 581,542</u>	<u>\$ 581,542</u>	<u>\$ 581,017</u>	<u>\$ (525)</u>

City of Wayland
SCHEDULE OF FUNDING PROGRESS
Employee Retirement System
(Municipal Employees' Retirement System of Michigan)

<i>Actuarial valuation date December 31</i>	<i>Actuarial value of assets (a)</i>	<i>Actuarial accrued liability (AAL) entry age (b)</i>	<i>Unfunded AAL (UAAL) (b-a)</i>	<i>Funded ratio (a/b)</i>	<i>Covered payroll (c)</i>	<i>UAAL as a percentage of covered payroll ((b-a)/c)</i>
1994	\$ 937,595	\$ 1,097,100	\$ 159,505	85%	\$ 412,101	39%
1995	977,214	1,284,208	306,994	76%	468,981	65%
1996	1,034,617	1,351,343	316,726	77%	533,141	59%
1997	1,116,298	1,824,355	708,057	61%	609,797	116%
1998	1,143,518	1,988,122	844,604	58%	655,706	129%
1999	1,349,027	1,981,506	632,479	68%	674,859	94%
2000	1,543,950	2,261,206	717,256	68%	697,958	103%
2001	1,737,177	2,506,944	769,767	69%	739,370	104%
2002	1,900,050	2,768,933	868,883	69%	859,915	101%
2003	2,166,052	2,955,360	789,308	73%	824,641	96%
2004	2,416,105	3,366,470	950,365	72%	816,396	116%

SUPPLEMENTARY INFORMATION

City of Wayland
COMBINING BALANCE SHEET - nonmajor governmental funds
June 30, 2005

	<i>Special revenue</i>			
	<i>Major Street</i>	<i>Local Street</i>	<i>Special Road</i>	<i>Justice Training</i>
ASSETS				
Cash	\$ 53,914	\$ 5,887	\$ 82,490	\$ 48
Receivables, net	<u>32,671</u>	<u>10,298</u>	<u>12,979</u>	<u>-</u>
Total assets	<u>\$ 86,585</u>	<u>\$ 16,185</u>	<u>\$ 95,469</u>	<u>\$ 48</u>
LIABILITIES AND FUND BALANCES				
Liabilities - payables	<u>\$ 273</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances:				
Reserved for long-term receivables	-	-	-	-
Unreserved, undesignated	<u>86,312</u>	<u>16,185</u>	<u>95,469</u>	<u>48</u>
Total fund balances	<u>86,312</u>	<u>16,185</u>	<u>95,469</u>	<u>48</u>
Total liabilities and fund balances	<u>\$ 86,585</u>	<u>\$ 16,185</u>	<u>\$ 95,469</u>	<u>\$ 48</u>

<u>Wayland Housing Improvement</u>	<u>Total nonmajor governmental funds</u>
\$ 27,766	\$ 170,105
<u>60,031</u>	<u>115,979</u>
 \$ 87,797	 \$ 286,084
 \$ -	 \$ 273
 60,031	60,031
<u>27,766</u>	<u>225,780</u>
 87,797	 285,811
 <u>\$ 87,797</u>	 <u>\$ 286,084</u>

City of Wayland**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - nonmajor governmental funds**

Year ended June 30, 2005

	Special revenue			
	<u>Major Street</u>	<u>Local Street</u>	<u>Special Road</u>	<u>Justice Training</u>
REVENUES				
State grants	\$ 201,987	\$ 63,662	\$ -	\$ 634
Contribution from local unit -				
Allegan County	-	-	80,382	-
Charges for services	-	-	24,781	-
Interest	1,700	200	-	-
Other	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>203,687</u>	<u>63,862</u>	<u>105,163</u>	<u>634</u>
EXPENDITURES				
Public safety	-	-	-	2,946
Public works	112,714	54,338	9,694	-
Debt service:				
Principal	40,000	-	-	-
Interest	33,430	-	-	-
	<u>33,430</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>186,144</u>	<u>54,338</u>	<u>9,694</u>	<u>2,946</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	17,543	9,524	95,469	(2,312)
OTHER FINANCING SOURCES				
Transfer in	-	-	-	150
	<u>-</u>	<u>-</u>	<u>-</u>	<u>150</u>
NET CHANGE IN FUND BALANCES	17,543	9,524	95,469	(2,162)
FUND BALANCES - BEGINNING	<u>68,769</u>	<u>6,661</u>	<u>-</u>	<u>2,210</u>
FUND BALANCES - ENDING	<u>\$ 86,312</u>	<u>\$ 16,185</u>	<u>\$ 95,469</u>	<u>\$ 48</u>

<u>Wayland Housing Improvement</u>	<u>Total nonmajor governmental funds</u>
\$ -	\$ 266,283
-	80,382
-	24,781
2,242	4,142
69	69
<u>2,311</u>	<u>375,657</u>
-	2,946
2,265	179,011
-	40,000
-	33,430
<u>2,265</u>	<u>255,387</u>
46	120,270
-	150
46	120,420
<u>87,751</u>	<u>165,391</u>
<u>\$ 87,797</u>	<u>\$ 285,811</u>